

Report for: Cabinet

Date of Meeting:	15 September 2022
Subject:	Q1 Revenue and Capital Budget 2022-23
Key Decision:	No
Responsible Officer:	Dawn Calvert - Director of Finance and Assurance
Portfolio Holder:	Councillor David Ashton - Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Summary of Grants 2022-23 Appendix 2 – Capital Programme 2022-23 Appendix 3 – Trading Company Update 2022-23

Section 1 – Summary and Recommendations

This report sets out the Council's projected revenue and capital outturn position for 2022-23, based on all information known at the end of Q1 30 June 2022.

Recommendations:

1. That Cabinet notes the revenue and capital outturn positions set out in paragraphs 1.2 to 1.4.
2. That Cabinet note the Council's Trading Update as detailed in Appendix 3.

Reason: (For recommendations)

To report the 2022-23 financial forecast position at Q1 and to update Cabinet on trading company performance.

Section 2 – Report

1.0 INTRODUCTION

- 1.1 This is the first budget monitoring report for 2022-23.
- 1.2 The revenue budget in 2022-23 at Q1 is £183.285m which is net of government and other specific grants. A list of external grants is shown at Appendix 1. The net forecast position on the revenue budget for 2022-23, after the planned use of reserves, cross divisional adjustments and management actions including one-off income, is a net overspend of £5.721m. This assumes the planned draw down of £14.711m from the Budget Planning Reserve. This also assumes that the 2022-23 pay award will be 5% which is explained further in this report.
- 1.3 The general fund capital programme budget in 2022-23 is £101.807m. The net forecast position on the capital budget at Q1 is £63.818m which represents 63% of the total capital programme budget. The variance of £37.989m is made up of proposed slippage of £30.730m and an underspend of £7.259m.
- 1.4 The Housing Revenue Account (HRA) capital programme budget is £52.446m. The net forecast position on the HRA capital budget at Q1 is £46.154m which represents 88% of the total HRA capital programme budget. The variance of £6.294m is made up of proposed slippage of £1.444m and a net underspend of £4.850m.

2.0 REVENUE MONITORING

2.1 As at Q1 the forecast revenue budget outturn, after the planned use of reserves, cross divisional adjustments and management actions including one-off income, is a net overspend of £5.721m.

Table 1: Summary of Revenue Budget Monitoring – Forecast at Q1 2022-23

Service Area	Revised Budget	Outturn	Variance	Contribution/ Drawdown From reserves	Cross Divisional Adjustments	Use of one off funding / management actions	Revised Outturn	Variance to budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Resources	37,680	41,448	3,768	-3,420	0	0	38,028	348
Place	29,871	31,913	2,042	2,865	-1,518	0	33,260	3,390
People's Services	104,351	112,733	8,382	-5,190	0	-1,554	105,989	1,638
Total Directorate Budgets	171,902	186,094	14,192	-5,745	-1,518	-1,554	177,277	5,376
Corporate	4,275	4,275	0	0	0	0	4,275	0
Contingency for Unforeseen	1,248	1,248	0	0	0	0	1,248	0
Technical	5,776	21,820	16,044	-16,042	0	0	5,778	2
Investment Properties	-2,876	-2,796	80	-80	0	0	-2,876	0
Pay Inflation	2,000	5,000	3,000	0	0	0	5,000	3,000
Non-Pay Inflation	2,750	92	-2,658	0	0	0	92	-2,658
MTFS Growth held centrally	2,250	2,250	0	0	0	0	2,250	0
Total Corporate Budgets	15,423	31,889	16,466	-16,122	0	0	15,767	344
Uncontrollable Budgets	-4,040	-4,040	0	0	0	0	-4,040	0
Grand Total	183,285	213,943	30,658	-21,867	-1,518	-1,554	189,004	5,721

RESOURCES

Table 2: Resources Forecast Outturn Q1 2022-23

Division	Budget	Forecast	To/ (From) Reserves	Revised Forecast	Variance to budget
	£000	£000	£000	£000	£000
Business Support	3,361	3,401	0	3,401	40
Finance & Insurance	3,337	3,592	-255	3,337	0
Management (including Modernisation)	809	1,448	-625	823	14
Strategy	2,841	3,283	-325	2,958	117
Revenues & Benefits	9,147	9,547	-400	9,147	0
ICT	7,452	7,554	-90	7,464	12
Procurement	687	687	0	687	0
Access Harrow	3,675	4,013	-150	3,863	188
HR	1,863	3,287	-1175	2,113	250
Legal & Governance	3,873	4,012	-400	3,612	-261
Internal Audit/CAFT	636	624	0	624	-12
Totals	37,681	41,448	-3,420	38,028	348

2.1 As at Q1 the directorate is reporting a net overspend of £348k after draw down from reserves. The forecast includes £2.028m expected spend on the second year of the Modernisation Programme.

2.2 The reserve movements are shown in Table 3

Table 3: Resources Reserve Movements 2022-23

Description	Movement £'000
Borough Election	-400
Insurance Reserve	-255
Business Risk Reserve	-635
Capacity Build/ Transformation Reserve	-2,028
Equalities Diversity & Inclusion Reserve	-102
Resources net draw down	-3,420

2.3 The net overspend of £348k is made up as follows:

- **Strategy** – £117k net overspend due to unachieved income in the Comms Team
- **Access Harrow** – £188k net overspend due to the decision to not implement a prior year MTFs saving to close the telephone lines for Revenues and Collections.
- **HR** - £250k net overspend due to loss of income from schools for Payroll services
- **Legal & Governance** - £261k net underspend mainly related to additional income in registration services
- **Other net pressures** - £54k across the directorate

PLACE

Table 4: Place Forecast Outturn Q1 2022-23

Division	Budget	Forecast	To/ (From) Reserves	Cross divisional adjmt	Revised Forecast	Variance to budget
	£000	£000	£000	£000	£000	£000
Directorate Management	2,931	3,426	-146	0	3,280	349
Environment	16,297	17,674	-739	0	16,935	638
Inclusive Economy, Leisure & Culture	3,601	3,778	-110	0	3,668	67
Regeneration & Development	3,183	2,921	3,848	-1250	5,519	2,336
Housing General Fund	3,859	4,115	12	-268	3,859	0
Total Budget	29,871	31,914	2,865	-1,518	33,261	3,390

2.4 As at Q1 the directorate is reporting a net overspend of £3.390m after contributions to and draw down from reserves and cross-divisional adjustments.

2.5 Of this, £2.490m relates to energy and fuel cost pressures due to the recent surges in the unit price of electricity, gas, and fuel. This will be funded by the non-pay inflation budget of £2.75m which is held corporately.

2.6 The reserve movements are shown in Table 5

Table 5: Place Reserve Movements 2022-23

Description	Movement £'000
CIL Harrow	4,000
Revenue Grant Reserve	12
Capital Feasibilities Reserve	-85
Accommodation Strategy Reserve	-152
3G Pitch	25
1 Hour Free Parking	-24
Business Risk Reserve	-765
Capacity Build/ Transformation Reserve	-146
Place net contribution	2,865

2.7 **Directorate Management** – £349k net overspend. COVID-19 is expected to continue to result in losses in income in 2022-23. As part of the 2022-23 MTFS process, budget growth of £2.482m is included in the budget to recognise the impact on income achievement. The growth is held in Directorate Management. The total forecast loss of income is £2.831m resulting in a pressure of £349k. This will be mitigated by a forecast overachievement of income in Trade Waste (£100k) and Network Management (£240k) reported elsewhere within this report.

2.8 **Environment** - £638k net overspend. This is made up as follows:

- **Fuel & Energy** - £1.543m net overspend
- **Strategy, Development & Performance** - £49k net underspend due to £100k overachievement of Trade Waste income partially offset by overspends on the Public Mortuary SLA £29k and staffing costs £22k as a result of interim staffing arrangements
- **Transport & Environmental Operations** - £515k net underspend. This is as a result of £185k overspend on Clean & Green in relation to the SLA with Brent Council for the management of Carpenders Park cemetery, business rates bills and staffing costs driven by additional agency spend because of difficult market conditions for permanent recruitment. These are offset by underspend of £700k in Waste Management due to favourable market conditions which has resulted in the projected disposal cost for dry recyclables to be lower than budgeted for. As the market is very volatile and the gate fee can fluctuate up or down, this will be monitored closely.
- **Parking Enforcement & Network Management** - £341k net underspend. This is due to forecast overachievement of £240k in Network Management driven by increased street works activity and an underspend of £101k on staffing costs in Parking Services due to vacant posts.

2.9 **Inclusive Economy, Leisure and Culture** - £67k net overspend. This is due to fuel and energy pressures totalling £53k and business rates bills at the Harrow Arts Centre of £14k

2.10 Regeneration and Sustainable Development - £2.336m net overspend

- **Fuel & Energy** - £894k net overspend
- **Estates & Facilities Management** - £942k net overspend.
 - Facilities Management - £826k net overspend due to additional security staff across various council sties, corporate cleaning due to the opening of the Harrow Council Hub and loss of income assumed for room letting bookings at the Civic Centre and rental income from units at the Depot.
 - Corporate Estates – £80k net overspend due to interim staffing arrangements
 - Head of Facilities & Estates - £69k net overspend due to interim staffing arrangements
 - Catering Services - £33k net underspend due to underspend on staffing costs £84k partially offset by £51k net pressure on the Harrow Meals on Wheels service.
 - Planning & Development - £500k net overspend due to under achievement of planning application fee income as the number of planning applications are lower than expected

2.11 **Housing General Fund** – the forecast at Q1 is showing a balanced position after utilising £2.234m from the Homelessness Prevention Grant (HPG) to meet the business as usual and covid related costs associated with the Homelessness Reduction Act. The £0.966m increase in the use of HPG in 2022-23 is due to the decision of the service to increase the level of service delivery geared towards prevention of homelessness; keeping the vulnerable households in their current accommodation. However, the spiraling cost of living which may result in vulnerable households prioritizing food over rent will increase the demand for support. This leaves the balance of the HPG of £5.703m.

Housing Revenue Account (HRA)

- 2.12 The budget for the HRA was set at an in-year loss of £241k for 2022-23. As at Q1 the forecast is that the loss will increase by £300k to £541k. This would leave general reserves of £4.636m at 31 March 2023 which is still above the minimum required by the business plan (greater than 7% of income which is £2.37m in 2022-23).
- 2.13 The reason for the adverse variance is the increased utility costs over and above inflation which was not fully factored into the budget. The figures assume that £30k of the increase is recovered from leaseholders as their charges are based on actual expenditure for the year.
- 2.14 The budget for 2023-24 will factor in these increases in terms of costs and charges to recover the same.

2.15 Repairs remains a red risk. The forecast assumes to budget as measures have been introduced to manage expenditure to fund known pressures such as fence replacement and legionella surveys. These measures include greater control of void specifications to contractors, authorisation and verification of all works over £500 and reduction of expenditure on Aids and Adaptations by using alternative contractors.

PEOPLE SERVICES

Table 6: People Services Forecast Outturn Q1 2022-23

Division	Service Area	Revised Budget	Forecast	To/ (From) Reserves	One off funding/ Mgt Actions	Revised Forecast	Variance to budget
		£'000	£'000	£'000	£'000	£'000	£'000
Adults	Strategic Management	960	1,960	-1,000	0	960	0
	Purchasing	42,195	43,295	0	-1,100	42,195	0
	Mental Health	6,422	6,422	0	0	6,422	0
	Other Adults	12,326	12,326	0	0	12,326	0
	In House Services	5,415	5,415	0	0	5,415	0
Adults Total		67,318	69,418	-1,000	-1,100	67,318	0
Public Health Total		-163	470	-633	0	-163	0
Children's Services	Children & Young People	27,026	30,917	-2,117	-454	28,346	1,320
	Education Services	8,796	10,272	-1,346	0	8,926	130
	People Services Mgt	1373	1655	-94	0	1561	188
Children's Services Total		37,195	42,844	-3,557	-454	38,833	1,638
People Services Total		104,350	112,732	-5,190	-1,554	105,988	1,638

2.16 As at Q1 the directorate is reporting a net overspend of £1.638m after draw down from reserves and one-off funding & management actions.

2.17 The reserve movements are shown in Table 7

Table 7: People Services Reserve Movements 2022-23

Description	Movement £'000
Children's – Revenue Grant Reserve	-52
Children's – PFI Schools Sinking Fund	-386
Children's – Children's Social Care Reserve	-3,029
Children's – Business Risk Reserve	-90
Public Health – Public Health Reserve	-633
Adult Services – Adults Social Care Reserve	-1,000
People Services net draw down	-5,190

2.18 The variations are explained in more detail at the following paragraphs.

Adult Services

- 2.19 As at Q1 the service is reporting a net overspend of £2.1m before mitigating actions. This will be managed by £1m draw down from the Adults Social Care (ASC) reserve and the remaining £1.1m is expected to be mitigated through a number of projects to reduce the underlying expenditure.
- 2.20 **Strategic Management** - £1m overspend before draw down from reserves. There is a pressure of £1m related to staffing above establishment to ease the impact of the cessation of the workforce grants allocated in previous years and will be funded by a one-off drawdown of £1m from the ASC Reserve. There is a real tension in relation to staffing (reflecting increased cost of agency staff and retention of long-standing staff) which have the potential to cause an overspend. This is being carefully monitored and discussed within the service to agree next steps.
- 2.21 **Purchasing** - £1.1m overspend before mitigating actions. The balance of the forecast overspend of £1.1m relates to the placement budget. This assumes a growth in placements (after allowing for deaths) of £1.051m and allows for 10 new packages per week (6 community and 4 across residential/nursing placements), with further cost increases of £1.4m reflecting complexity. The forecast assumes that outstanding debt will continue to age requiring an increase in the bad debt provision of £500k (as budgeted) although targeted recovery action is taking place to minimise the position.
- 2.22 The forecast assumes £700k in relation to the Q1 Discharge to Assess (D2A) funding from health (which has now been extended to end August) and increased BCF funding of £385k on an ongoing basis (of which £125k is uncommitted and supporting the balanced position being reported). There are however a number of risks around this early forecast, as the post pandemic operating model, particularly around the health interface, is volatile. There are also increasing costs arising from provider inflation requests, although it is hoped that any resultant pressures can be picked up within the market sustainability grant.
- 2.23 The forecast overspend on the placement budget is expected to be mitigated through a number of projects to reduce the underlying expenditure (£850k) and targeted actions around debt recovery (£250k). These projects have been slow to start and are challenging in the context of the current social work pressures and will be closely monitored to ensure that the forecast is not understated.
- 2.24 **Inhouse Services and Other Adults** – balanced budget. The position assumes that inhouse services and those managed by CNWL for citizens requiring mental health support under the age of 65 will be balanced. The directorate is in the process of agreeing the 2022-23 budget for CNWL to manage services following the receipt of the recovery plan (estimated at £229k part year effect). The existing growth held within the Adults budget is sufficient to fund the forecast position, and there is potential for an underspend to mitigate wider pressures.

2.25 The balance of the ASC Reserve is held for costs to support implementation of savings plans (£300k), ASC reforms (£500k) and one-off pressures (£1.969m)

Public Health

2.26 As at Q1 Public Health is reporting a balanced position after a planned draw down of £633k from the Public Health reserve to fund the continuation of improvement projects and increased funding for wider determinants of health.

Children's Services

2.27 As at Q1 the service is reporting a net overspend of £1.638m after a draw down from reserves and use of one-off funding.

2.28 The Children's Services budget has increased by £1.770m through permanent growth in the MTFs. In addition, £2.117m has been earmarked in the Children's Social Care (CSC) Reserve to support overall pressures.

2.29 The main variances are summarised in the following paragraphs.

2.30 **Children and Young People Services** – £1.320m net overspend

- **Children's Placements & Accommodation** - £2.374m net overspend. The forecast assumes that there will be additional new placements throughout the financial year of £1m. If this does not come to fruition the forecast will reduce each month
- **Frontline Staffing** – £871k net overspend due to staffing pressures to maintain safe caseloads and use of agency staff due to difficulties in permanent recruitment which are more expensive
- **Client Related Spend** – £389k net overspend including legal fees, signers and interpreters, and subsistence to families
- **Early Support Services** - £131k net overspend related to increased utilities costs. This is offset against the underspend in the non pay inflation budget held corporately.
- **Other pressures** - £126k net overspend various pressures across the directorate
- **Draw down from reserves** - £2.117m draw down to partially mitigate pressures
- **Use of one-off income** - £454k to partially mitigate pressures

2.31 **Education Services** - £130k net overspend

- **SEN Transport** – £267k net overspend due to anticipated growth in the number of children and routes for the 2022-23 academic year. The full impact of this will not be known until September/October when the final routes have been set.

- **Other Education Services** – net underspend £137k mainly due to additional SLA income

2.32 **Commissioning & People Services Management** – £188k net overspend. This relates to a reduction in grant income £67k, staffing pressures in relation to the Mosaic Team and shortfall in income in the Safeguarding Team

2.33 **Dedicated Schools Grant**

2.34 The Dedicated Schools Grant (DSG) is a ring-fenced grant of which the majority is used to fund individual school budgets in maintained schools, academies, and free schools in Harrow. It also funds Early Years nursery free entitlement places for 2-, 3- and 4-year-olds in maintained council nursery classes and private, voluntary, and independent (PVI) nurseries as well as provision for pupils with High Needs.

2.35 There is a projected overspend on the High Needs Block of £1.261m in 2022-23 which added to the cumulative deficit of £4.007m brought forward from previous years will take the total projected deficit at the end of March 2023 to £5.268m.

2.36 Any deficits an authority may have on its DSG account is expected to be carried forward and does not allow or require a local authority to cover this from its general reserves. This is a temporary arrangement for three years ending in March 2023.

2.37 The DfE requires local authorities to explain their plans for bringing the DSG account back into balance. A recovery plan was drafted and discussed with Schools Forum in 2022. This now needs to be updated to take account of current numbers of EHCPs and revised EHCP and financial projections. Despite the significant proposals and measures planned over the next ten years, the Deficit Management Plan shows that this will not fully mitigate the deficit. This is due to the following contributory factors:

- historical underfunding
- current budgets being based on historical budgets rather than historical spend
- extension of age range to include 0-5 and post 19
- current and projected formulaic funding which does not keep pace with demand
- significant historical and projected growth in number of EHCPs
- continued growth in complexity of pupils' needs
- limitations about creating cost effective provision in borough due to capacity and site limitations

CORPORATE AND TECHNICAL

2.38 As at Q1 the forecast for Corporate & Technical budgets is a net underspend of £2.658m as detailed below.

Corporate Items

2.39 As at Q1 the forecast is a balanced budget.

Technical Budgets

2.40 As at Q1 the forecast is a balanced budget.

Pay & Non Pay Inflation Budgets

2.41 As at Q1 the pay and non pay inflation budgets are held corporately. There is a net underspend on the non pay inflation budget of £2.658m which is offset by energy and fuel inflation pressures forecast in the directorates.

2.42 The pay inflation budget of £2m is projected to overspend by £3m which would equate to a 5% pay award (Municipal Journal estimate May 2022). Based on previous years, should there be significant slippage in the capital programme, there will be an in year underspend on the capital financing budgets. However at Q1 it is too early in the year for this figure to be confirmed. In addition, the assumed figure of 5% for the pay award is a best estimate and would increase by £1m for every additional 1% pay award. Even if it is possible to fund the in year impact of a 5% pay award in 2022/23, the pay award will have an ongoing impact, which will add to the MTFs gap in future years. Any future capital financing underspends are planned for contribution to the MTFs budget gap in 2023-24 and 2024-25.

Investment Properties

2.43 As at Q1 the forecast for investment properties is a net overspend of £80k. This is due to vacant space which results in loss of rental income. This will be funded by a draw down from the Investment Properties Reserve.

2.44 From 2015 to 2019 the Council acquired seven investment properties at a cost of £48.2m. The portfolio consists of warehouses and other commercial and residential properties across the UK, as well as an office block in Harrow. At acquisition, the net yield was estimated at 2.31% (gross yield 7.3%) for all but the office block Kings House (net yield 0.9% and gross yield 5.9%) which was also purchased as a land acquisition for potential regeneration. The return from investment properties was included in the MTFs.

2.45 The projected return from all but Kings House is currently on target despite COVID-19. There is vacant space in Kings House – part of the 3rd floor has been vacant since acquisition and the remainder of the 3rd floor became vacant in December 2020. This results in loss of rental receipts and the additional cost such as business rates and service charges which falls back to the council.

2.46 The annual estimated impact of vacant space at Kings House in 2022-23 is a loss of rental income and charges relating to vacant space in total of £369k. This is partly offset by earlier investment purchases achieving returns over and above

their target hence the overall investment property pressure of £80k. This will be funded by a draw down from the Investment Property Reserve.

RESERVES

Table 8: Summary of Reserves 2022-23

Description	Brought Forward 01/04/22	Directorate Reserve Movements	Corporate Reserves Movements	Other Reserves movement	Balance Carry Forward 31/03/2023
CIL Harrow	-7,108,388	-4,000,000		5,533,000	-5,575,388
Revenue Grant Reserve	-6,641,420	40,000			-6,601,420
Compensatory Added Year Reserve	-242,782				-242,782
PFI Schools Sinking Fund	-2,071,676	386,000			-1,685,676
Public Health Reserve	-2,674,142	633,000			-2,041,142
PFI NRC Sinking Fund	-1,823,836				-1,823,836
Legal Services Contingency	-821,239				-821,239
HRA Transformation Reserve	-542,965			475,000	-67,965
Carryforward Reserve	-1,330,981		1,330,718	263	0
Collection Fund Reserve	-4,634,745				-4,634,745
Capital Feasibilities Reserve	-500,000	85,000			-415,000
Accommodation Strategy Reserve	-652,000	152,000			-500,000
Adults Social Care Reserve	-3,769,475	1,000,000			-2,769,475
Children's Social Care Reserve	-3,108,120	3,029,000			-79,120
Borough Election	-574,677	400,000			-174,677
Harvist Reserve Harrow Share	-34,034				-34,034
Proceeds Of Crime Reserve	-63,000				-63,000
Proceeds Of Crime Reserve Planning	-430,172				-430,172
CIL Mayor	-150,520				-150,520
Insurance Reserve	-959,318	255,000			-704,318
Public Mortuary Expansion Reserve	-500,000				-500,000
3G Pitch	-25,000	-25,000			-50,000
1 Hour Free Parking	0	24,000		-624,000	-600,000
Vehicle Fund	-1,250,478				-1,250,478
Investment Property Reserve	-977,385		80,000		-897,385
PAP Sinking Fund	-393,300				-393,300
HRA Hardship Fund	-25,000				-25,000
HRA Regeneration Reserve	-722,200				-722,200
HRA Repair Reserve	-277,428				-277,428
Business Risk Reserve	-1,968,198	1,490,017			-478,181
Budget Planning Reserve MTFS gap	-22,490,358		14,711,000	623,737	-7,155,621
Capacity Build/ Transformation Reserve	-3,172,652	2,174,000		300,000	-698,652
Total Ringfenced Reserves	-69,935,490	5,643,017	16,121,718	6,308,000	-41,862,755
Headstone Manor Reserve	-287,750			287,750	0
Libraries Reserve	-150,000			150,000	0
IT Reserve	-134,000			134,000	0
Equalities Diversity & Inclusion Reserve	-157,273	102,000		55,273	0
General Fund Reserves	-10,008,000			-627,023	-10,635,023
Total Usable Reserves	-10,737,023	102,000	0	0	-10,635,023
DSG Overspend	4,006,867			1,261,241	5,268,108
Grand Total All Reserves	-76,665,646	5,745,017	16,121,718	7,569,241	-47,229,670

GRANTS

2.47 Attached at Appendix 1 is a schedule of all the revenue grants the Council expects to receive in 2022-23. The majority of these grants are received and paid out and don't impact on the bottom line for example Dedicated Schools Grant £143m which is paid out to education providers and Housing Benefit Subsidy £117m which is paid to Housing Benefit Claimants.

3.0 CAPITAL PROGRAMME

3.1 The revised capital budget for 2022-23 is £154.253m as set out at Table 9 and in more detail at Appendix 2:

Table 9: Capital Programme Budget 2022-23 Q1

Directorate	TOTAL BUDGET	Actuals	Commitments	Forecast Spend	Forecast Variance	Slippage	Over/Underspend after Slippage
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
RESOURCES TOTAL	12,104	894	914	12,104	0	0	0
PLACE:							
Environment	29,651	1,093	7,662	21,881	(7,770)	(511)	(7,259)
Leisure & Culture	2,677	59	2,401	2,677	0	0	0
Inclusive Economy	3,057	185	764	1,257	(1,800)	(1,800)	0
Planning	1,395	27	150	1,395	0	0	0
Regeneration	14,267	(123)	208	1,999	(12,268)	(12,268)	0
Housing General Fund	10,429	54	358	10,428	(1)	0	(1)
PLACE TOTAL	61,477	1,296	11,544	39,638	(21,839)	(14,580)	(7,259)
PEOPLE:							
Adults	395	0	0	308	(88)	(88)	0
Public Health	7	4	2	7	0	0	0
Children	27,825	800	1,345	11,762	(16,062)	(16,062)	(0)
PEOPLE TOTAL	28,226	804	1,348	12,076	(16,150)	(16,150)	0
TOTAL GENERAL FUND	101,807	2,994	13,806	63,818	(37,989)	(30,730)	(7,259)
TOTAL HRA	52,446	(126)	5,888	46,151	(6,294)	(1,444)	(4,850)
TOTAL GENERAL FUND & HRA	154,253	2,868	19,694	109,970	(44,283)	(32,174)	(12,109)

3.2 As at Q1 the projected spend is £109.970m which is 71% of the total Capital Programme budget. The projected spend on the General Fund is £63.818m, (63% of budget). The variance of £37.989m is made up of proposed slippage of £30.730m and a net underspend of £7.259m.

3.3 The projected spend on the Housing Revenue Account is £46.154m (88% of the budget). The variance on the HRA of £6.294m is made up of slippage of £1.444m and an underspend of £4.850m.

RESOURCES

3.4 As at Q1 the projected spend is £12.104m which represents 100% of the capital budget.

PLACE

3.5 As at Q1 the projected spend is £39.637m which represents 64% of the capital budget. Of the variance to budget of £21.839m, a total of £14.579m of funding will be slipped to 2023-24. The underspend of £7.260m results from projects no longer going ahead.

Environment

3.6 The services forecast to spend £21.881m against a budget of £29.651m. £511k is forecast to be slipped to 2023-24 and £7.259m is reported as an underspend for the reasons listed below.

- **Highway Programme** - £511k slippage. This is due to the delay in commencing the 2022-23 programme. Footway improvement schemes will normally require detailed design, therefore it is anticipated that some of these works will not be fully completed this year.
- **TfL Local Implementation Plan** - £1.391m underspend. A forecast underspend of the full amount assumed in the Capital Programme is reported. The funding allocation from TfL to date is primarily for scheme design and staffing cost. TfL funding has been adversely affected following COVID-19 pandemic, therefore it is anticipated that no funding will be provided to implement any capital schemes this year.
- **Wealdstone Future High Street Fund** – £5.868m underspend. The 2022-23 budget allocation including 2021-22 carried forward budget is reported as an underspend. Funding was awarded from DLUHC in 2021 following the successful bid to the Future High Street Fund for the construction of a footbridge and the implementation of Intelligent High Street in Wealdstone. The project is currently put on hold.

3.7 Unless stated otherwise, the slippage has no implications on the revenue budget.

Leisure and Culture

3.8 The projected spend is £2.677m which is 100% of the total capital budget.

Inclusive Economy

3.9 The forecast spend is £1.257m against a budget of £3.057m. The remaining £1.8m is forecast to be slipped to 2023-24.

- **High Street Fund** - £1.8m slippage. This is a multiple year programme, with a number of committed projects underway. Of the total funding of £2.868m this year, £1.068m is forecast to be utilised to complete existing projects. Any spend on new projects is subject to review, therefore the remaining budget of £1.8m is reported as slippage at this stage.

3.10 Unless stated otherwise, the slippage has no implications on the revenue budget.

Planning

3.11 The service forecast to spend the total budget of £1.395m in full in 2022-23

Regeneration

3.12 The service forecasts to spend £1.999m against a budget of £14.267m. The remaining £12.268m is forecast to be slipped to 2023-24

- Waxwell Lane and Haslam House - £526k to budget. There are some known risks to this position identified on Waxwell Lane where an extension of time claim has been submitted by the contractor. The final account negotiations are expected to be completed by Summer 2022-23.
- Accommodation Strategy - £1.473m to budget. This budget is allocated for fit out works for various ancillary sites. Works are underway and these are expected to be completed this year.
- Investment in Harrow New Civic and 3 core sites - £12.268m slippage. Following the Cabinet report in March 2022 on the update of the Harrow Strategic Development Partnership (HSDP), the viability review of various sites is underway and the outcomes will be reported back to Cabinet. The funding of £12.268m in the Capital Programme will not be committed until the financial implications to the Council are refreshed. Therefore the full budget is forecast as slippage at this stage.

Housing General Fund

3.17 The service forecast to spend £10.428m which represents 100% of the total capital budget.

3.18 Additional Disabled Facilities Grant (DFG) was carried forward at the end of 2021-22 resulting in a total budget allocation of £2.808m in 2022-23. There is a risk that not all of the budget will be spent this year and Housing Services is working closely with People Services to ensure full use of the funding is made in 2022-23.

Housing Revenue Account (HRA)

3.19 The HRA capital programme budget is £52.446m. As at Q1 the net forecast spend position is £46.154m which represents 88% of the total HRA capital programme budget. The variance of £6.294m is made up of proposed slippage of £1.444m and a net underspend of £4.650m.

3.20 The slippage of £1.444m relates to two schemes

- **Decarbonisation Programme** - £750k slippage which has been delayed due to funding proposals and partnering arrangements being established with other local authorities
- **Install Heat Pump technology** - £694k slippage which, due to issues with one site, has led to the programme not being fully delivered as planned in 2022-23.

3.21 It is proposed to carry forward the funding of £1.444m for these two programmes to 2023-21. There are no revenue implications as a result of this slippage.

3.22 The underspend of £4.850m relates to the Planned Investment Programme which is to be reprofiled to 2023-24 pending Cabinet of approval of schemes in October 2022.

PEOPLE SERVICES

3.23 As at Q1 the projected spend is £12.076m which is 43% of the total budget.

3.24 Adult Services

3.25 As at Q1 the forecast spend is £308k which is 78% of the total budget. The remaining £88k is reported as slippage.

3.26 The slippage relates to funding for inhouse provision which largely represents a placeholder in the event of any unforeseen requirements. It is not anticipated that the full budget will be required this financial year. There are no revenue implications as a result of this slippage.

3.27 Public Health

3.28 As at Q1 the projected spend is £7k which represents 100% of the budget.

3.29 Children's Services

3.30 As at Q1 the projected spend is £11.762m which is 42% of the total budget. The remaining £16.062m will be slipped to future years.

3.31 Additional Basic Need Grant Funding of £14.973m was allocated to the LA in 2021-22 to enable the LA to meet its statutory duty of providing sufficient mainstream school places. However, the current projections indicate that there is not a requirement for any permanent expansion at this stage. Funding allocated for bulge classes and historical capital maintenance funding, also funded from grant, will also be slipped to future years as this is not currently required.

3.32 There are no revenue implications as a result of this slippage.

4.0 **COUNCIL TRADING STRUCTURE UPDATE 2022-23**

4.1 The Council's Trading Structure update is attached at Appendix 3 and summarises the financial position and provides a general update on the activities of all the Council's trading entities.

5.0 **REPORTING FOR THE 2022-23 FINANCIAL YEAR**

5.1 This is the first revenue and capital budget monitoring report for 2022-23

5.2 Cabinet will receive quarterly monitoring reports during the year as follows:

- Q2 Revenue & Capital Monitoring – December 2022
- Q3 Revenue & Capital Monitoring – February 2023
- Q4/Final Revenue & Capital Monitoring – July 2023

6.0 **Implications of the Recommendation**

Implications of recommendation are set out in the body of this report.

7.0 **Performance Issues**

Good financial monitoring is essential to ensuring that there are adequate and appropriately directed resources to support delivery and achievement of Council priorities and targets as set out in the Corporate Plan. In addition, adherence to the Prudential Framework ensures capital expenditure plans remain affordable in the longer term and that capital resources are maximized.

As at Q1 the forecast on the revenue budget is a net overspend of £5.721m.

The projected spend on the Capital Programme is £109.970m, 71% of the total budget.

8.0 **Environmental Implications**

There is no direct environmental impact.

9.0 **Risk Management Implications**

Risks included on corporate or directorate risk register? **Yes**

Separate risk register in place? **No**

The relevant risks contained in the register are attached/summarised below.
Yes

The following key risks should be taken onto account when noting the report:

Risk Description	Mitigations	RAG Status
Failure to deliver the budget on target	<ul style="list-style-type: none"> ▪ At Q1 there is a projected net revenue overspend of £5.721m which assumes a 5% pay award increase. ▪ It is anticipated that by the end of the year this overspend can be contained within budget through continued robust budget monitoring and challenge and use of a one off capital financing underspend which will be confirmed later in the year. 	Amber
Pay inflation impact on budget	<ul style="list-style-type: none"> ▪ The forecast overspend assumes a 5% pay award and therefore, there is a further risk to the forecast should the pay award be in excess of 5%. For every additional 1% pay award this would equate to an additional £1m overspend, which would require compensatory savings to be made or central government support be provided to fund both the in year and ongoing impact. 	Red
Trading companies' failure to deliver required contribution to the MTFS	<ul style="list-style-type: none"> ▪ Income target reprofiled over four years rather than three ▪ Impact of reprofiling on 2022-23 budget is already assumed in the overall outturn ▪ Quarterly stakeholder groups ▪ Review of financial and non-financial performance information 	Green

10.0 Procurement Implications

Any procurement arising from this report will be supported by the Procurement Team and will be undertaken compliant with the Public Contract Regulations 2015 and the Council's Contract Procedure Rules.

11.0 Legal Implications

Section 151 of the Local Government Act 1972 states that without prejudice to section 111, every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs". Section 28 of the Local government Act 2003 imposes a statutory duty on a billing or major precepting authority to monitor, during the financial year, its income and expenditure against budget calculations.

12.0 Financial Implications

Financial matters are integral to this report.

13.0 Equalities implications / Public Sector Equality Duty

13.1 Decision makers should have due regard to the public sector equality duty in making their decisions. The equalities duties are continuing duties they are not duties to secure a particular outcome. The equalities impact will be revisited on

each of the budget proposals as they are developed. Consideration of the duties should precede the decision. It is important that Cabinet has regard to the statutory grounds in the light of all available material such as consultation responses. The statutory grounds of the public sector equality duty are found at section 149 of the Equality Act 2010 and are as follows:

13.2 A public authority must, in the exercise of its functions, have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

13.2 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
- take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - Tackle prejudice, and
 - Promote understanding.

13.3 Compliance with the duties in this section may involve treating some persons more favourably than others; but that is not to be taken as permitting conduct that would otherwise be prohibited by or under this Act. The relevant protected characteristics are:

- Age
- Disability
- Gender reassignment
- Pregnancy and maternity
- Race,
- Religion or belief

- Sex
- Sexual orientation
- Marriage and Civil partnership

13.4 Equality assessments were undertaken for the budget proposals agreed by Council listed as part of the MTFS process and an overall equality assessment was undertaken on the MTFS.

Section 3 - Statutory Officer Clearance

Statutory Officer: Dawn Calvert

Signed by the Chief Financial Officer

Date: 05.09.22

Statutory Officer: Jessica Farmer

Signed on behalf of the Monitoring Officer

Date: 01.09.22

Chief Officer: Paul Hewitt

Signed off by the Acting Chief Executive

Date: 05.09.22

Head of Procurement: Nimesh Mehta

Signed by the Head of Procurement

Date: 30.08.22

Head of Internal Audit: Susan Dixon

Signed by the Head of Internal Audit

Date: 06.09.22

Mandatory Checks

Ward Councillors notified: NO as it impacts on all Wards

EqIA carried out: NO

Section 4 - Contact Details and Background Papers

Contact: Sharon Daniels, Head of Strategic and Technical Finance
(Deputy S151), Telephone 020 8424 1332, Sharon

Daniels@harrow.gov.uk

Background Papers:

[Final Revenue Budget 2022/23 and Medium-Term Financial Strategy 2022/23 to 2024/25 Report](#)

Call-in waived by the Chair of Overview and Scrutiny Committee - NO